Levine Blaszak Block & Boothby LLP

October 13, 2008

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

Re: *Ex Parte* filing in in *Developing a Unified Intercarrier Regime,* CC Docket No. 01-21; *High-Cost Universal Service Support*, WC Docket No. 05-337; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45; *Intercarrier Compensation for ISP-Bound Traffic*, WC Docket No. 99-68; and *Establising Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 07-135

Dear Ms. Dortch:

On October 10, 2008, Susan M. Gately of Economics and Technology, Inc. and the undersigned, representing the AdHoc Telecommunications Users Committee met with Nicholas Alexander, Legal Advisor to Commissionner McDowell, to discuss the service reform of the Intercarrier compensation reform proposed by the carriers. The substance of the meeting is reflected in the following attachment.

Please include these in the records of the above-referenced proceedings.

Respectfully submitted,

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Counsel for Ad Hoc
Telecommunications Users
Committee

Attachments

Comprehensive Reform of ICC Compensation and USF Collection Mechanism

AdHoc Telecommunications Users Committee
October 10, 2008

AdHoc’s first principles:

- Competition is preferable to regulation where markets are properly functioning
- In the absence of price constraining levels of competition, regulation is required
- Regulated prices should move to levels that would be expected in a competitive market

AdHoc's Position on Comprehensive ICC Reform

- ICC Reform must result in a plan that is:
  - equitable
  - economically efficient
  - furthers the statutory goals of the Communications Act
  - promotes competition
  - protects interests of rate payers
- Present industry plans do not meet these goals

AdHoc's Position on Comprehensive ICC Reform

- Revenue neutrality should not be a part of any reform plan
  - SLC rates are already fully compensatory
- Any "uniform" ICC rate must be cost-based
  - A below cost rate is no better than an above cost rate
  - Cost-based rates will eliminate the need for any increase in the USF requirement
- RLEC ICC reform should be handled separately following greater study of impacts and needs
  - Precedent exists from CALLS / MAG plan development and implementation

AdHoc's Position on USF Collection as Part of Comprehensive ICC Reform

- Reformation of the USF Collection methodology must be a part of any ICC reform plan:
  - ↓ switched access prices =
  - ↓ interstate end user revenues =
  - ↑ revenue based USF-surcharge
- AdHoc supports AT&T and Verizon's proposal of 9/23/08 for a numbers-only based plan
- AdHoc was the first party on record to support a numbers-based plan

ICC Comprehensive Reform

- New ICC rates coming out of any comprehensive reform plan must be cost-based.
  - $0.0007 is not a cost-based price nor does it reflect a price that we would expect to see in a competitive market
    - Small and rural carriers have indicated that $0.0007 is below their cost of providing service
  - Neither AT&T nor Verizon have claimed $0.0007 is a cost-based price or offered any persuasive justification for a $0.0007 price

ICC Comprehensive Reform

- Revenue neutrality must not be a part of the plan
  - No evidence that current revenue stream is not over-recovering costs of providing service
  - SLCs have been set to fully recover costs of subscriber lines
    - Any shortfall was already transferred to USF as part of 2000 CALLS
  - Uniform ICC rate set at a cost-based level would negate need for any additional revenues to cover the costs of providing interstate services

ICC Comprehensive Reform

- Revenue neutrality for AT&T and Verizon would allow double-recovery of revenues for the parent company resulting in a windfall
  - Reduction in access charge levels for calls originated or terminated in-region is a reduction in revenues for their local service ops, but a reduction in costs for their long-distance ops – net effect is a wash.
  - Increase in SLCs and/or ability to draw additional funds from USF will result in an overall increase in revenues to the parent company
  - Even if switched origination and termination reductions are eventually flowed through to end-users there will be double recovery for some period of time as the SLC/USF increases would be immediate while the access charge reductions will take some time to make their way through the system.

ICC Comprehensive Reform

- Revenue neutrality would not be neutral for the bottom-line expenditures of users.
  - Most enterprise users purchase long-distance services on a long-term contractual basis – meaning that unless and until those long-term contracts are renegotiated they would not see any reductions in long-distance voice prices
  - Most enterprise customers that purchase local services from an ILEC (which is most enterprise users) would see an immediate increase in the SLC-component of those local bills, and a USF increase as well.